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RURAL ELECTRIFICATION ACT OF 1936

WITH AMENDMENTS AS APPROVED

TO NOVEMBER 1, 1949

FOREWORD

The Rural Electrification Administration was created by Executive Order 7037 of May 11, 1935, under authority of the Emergency Relief Appropriation Act of 1935, approved April 8, 1935 (49 Stat. 115). Statutory provision for the agency was made in the Rural Electrification Act of 1936, approved May 20, 1936 (49 Stat. 1363, 7 U. S. Code, Chapter 31). REA became a part of the Department of Agriculture under Reorganization Plan II, effective July 1, 1939. Title IV of the Work Relief and Public Works Appropriation Act of 1938, approved June 21, 1938 ("Rural Electrification Act of 1938", 52 Stat. 818) authorized further borrowing from the Reconstruction Finance Corporation and added a requirement that borrowers from REA agree to use materials and supplies produced in the United States. Title V of the Department of Agriculture Organic Act of 1944, approved September 21, 1944 (58 Stat. 739) liberalized the terms of REA loans and removed the time limitation from its lending program. On December 23, 1944, the Rural Electrification Act was further amended to authorize REA to refinance certain rural electrification obligations owed to the Tennessee Valley Authority (58 Stat. 925). The Department of Agriculture Appropriation Act, 1948, approved July 30, 1947 (61 Stat. 546) further amended the Rural Electrification Act by transferring from the Reconstruction Finance Corporation to the Secretary of the Treasury the authority to make loans to REA. On June 29, 1948, the Rural Electrification Act was again amended to authorize REA to refinance certain additional rural electrification obligations owed to the Tennessee Valley Authority (62 Stat. 1070). On October 28, 1949, the Rural Electrification Act was further amended to authorize REA to make loans for the purpose of furnishing and improving rural telephone service (Oct. 28, 1949, ch. 776, 63 Stat. 948.)

RURAL ELECTRIFICATION ADMINISTRATION

UNITED STATES DEPARTMENT OF AGRICULTURE

GUIDE TO PROVISIONS OF RURAL ELECTRIFICATION ACT

PROVISIONS RELATING TO ORGANIZATION AND GENERAL FUNCTIONS OF REA - APPLICABLE TO BOTH ELECTRIFICATION AND TELEPHONE OPERATIONS: TITLE I

SEC. 1 - establishes REA in the Department of Agriculture; directs that powers of REA be exercised by Administrator.

SEC. 2 - authorizes REA Administrator to make rural electrification and telephone loans; and to investigate and publicize condition and progress of rural electrification and telephone service.

SEC. 3 - provides for REA electrification and telephone loan funds; and establishes State allotment formula for electrification loan funds (not applicable to telephone loan funds).

SEC. 6 - authorizes appropriation of funds for administering electrification and telephone loan programs.

SEC. 7 - relates to acquisition and disposition by REA Administrator of property securing loans; prohibits disposition of property acquired by borrowers with REA loan funds, unless REA Administrator approves, until loan is fully repaid.

PROVISIONS RELATING TO RURAL ELECTRIFICATION LOANS ONLY: TITLE I

SEC. 4 - authorizes Administrator to make loans for rural electrification; specifies eligible borrowers, preferences, purposes, terms and conditions, security and self-liquidation requirements.

SEC. 5 - authorizes Administrator to make loans to finance wiring installations and electrical and plumbing appliances and equipment. (Sec. 3 (a) prescribes a 5-year maximum maturity for such loans.)

PROVISIONS RELATING TO RURAL TELEPHONE LOANS ONLY: TITLE II

SEC. 201 - authorizes Administrator to make loans for furnishing and improving rural telephone service; specifies eligible borrowers, terms and conditions, purposes, preferences generally, preferences during initial year of program, area coverage requirements, security and self-liquidation requirements; authorizes financing of nonrural facilities under certain conditions; authorizes limited refinancing of existing indebtedness; requires applicants to comply with State certification requirements, and, where such requirements are inapplicable, specifies the determination which the Administrator is required to make.

SEC. 202 - recognizes jurisdiction of State regulatory bodies.

SEC. 203 - defines the terms "telephone service" and "rural area".

Statement of Congressional policy.

SEC. 8 - makes Rural Electrification Act applicable to certain loans and contracts entered into prior to effective date of Act (May 20, 1936).

SEC. 9 - requires administration of Act and selection of employees on nonpartisan, nonpolitical basis.

SEC. 10 - requires annual report to Congress.

SEC. 11 - authorizes Administrator to appoint officers and employees and to make certain administrative expenditures.

SEC. 12 - empowers Administrator to extend payment of loans with certain limitations.

SEC. 13 - defines the terms "rural area", "farm", "person" and "Territory".

SEC. 14 - technical "saving clause".

SEC. 15 - authorizes certain administrative expenditures.

"Buy American" provision (final provision - on page 10).

RURAL ELECTRIFICATION ACT OF 1936

WITH AMENDMENTS AS APPROVED TO NOVEMBER 1, 1949
(U. S. Code. Title 7, Chap. 31)

AN ACT

To provide for rural electrification, and for other purposes.

TITLE I

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled (as amended), That there is hereby created and established in the Department of Agriculture an agency of the United States, to be known as the "Rural Electrification Administration", all of the powers of which shall be exercised by an Administrator, under the general direction and supervision of the Secretary of Agriculture, who shall be appointed by the President, by and with the advice and consent of the Senate, for a term of ten years, and who shall receive a salary of \$15,000 per year. This Act may be cited as the "Rural Electrification Act of 1936".

(May 20, 1936, ch. 432, §1, 49 Stat. 1363; Reorg. Plan No. II, § 5, eff. July 1, 1939, 4 Fed. Reg. 2732, 53 Stat. 1434; Oct. 15, 1949, ch. 695, §5(a) 63 Stat. 880; Oct. 28, 1949, ch. 776, §2, 63 Stat. 948.)

SEC. 2. The Administrator is authorized and empowered to make loans in the several States and Territories of the United States for rural electrification and the furnishing of electric energy to persons in rural areas who are not receiving central station service, and for the purpose of furnishing and improving telephone service in rural areas, as hereinafter provided; to make, or cause to be made, studies, investigations, and reports concerning the condition and progress of the electrification of and the furnishing of adequate telephone service in rural areas in the several States and Territories; and to publish and disseminate information with respect thereto.

(May 20, 1936, ch. 432, §2, 49 Stat. 1363; Oct. 28, 1949, ch. 776, §3, 63 Stat. 948.)

SEC. 3. (a) The Secretary of the Treasury is hereby authorized and directed to make loans to the Administrator, upon the request and approval of the Secretary of Agriculture, in such amounts in the aggregate for each fiscal year commencing with the fiscal year ending June 30, 1948, as the Congress may from time to time determine to be necessary, either without interest or at such rate of interest per annum, not in excess of the rate provided for in sections 4 and 5 of

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this Act, as the Secretary of the Treasury may determine, upon the security of the obligations of borrowers from the Administrator appointed pursuant to the provisions of this Act or from the Administrator of the Rural Electrification Administration established by Executive Order Numbered 7037. Interest rates on the unpaid balance of any loans made by the Reconstruction Finance Corporation to the Administrator prior to July 1, 1947, shall be adjusted to the interest rate, if any, established for loans made after June 30, 1947, in accordance with the foregoing provision: *Provided*, That such obligations incurred for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines, or systems and for the purpose of financing the improvement, expansion, construction, acquisition, and operation of facilities to render telephone service shall be fully amortized over a period not to exceed thirty-five years, and that the maturity of such obligations incurred for the purpose of financing the wiring of premises and the acquisition and installation of electrical and plumbing appliances and equipment shall not exceed two-thirds of the assured life thereof and not more than five years. The Administrator is hereby authorized to make all such endorsements, to execute all such instruments, and to do all such acts and things as shall be necessary to effect the valid transfer and assignment to the Secretary of the Treasury of all such obligations, and to execute such trust instruments as shall be agreed upon by the Administrator and the Secretary of the Treasury providing for the holding in trust by the Administrator of all such obligations for the Secretary of the Treasury as security for loans to the Administrator heretofore made by the Reconstruction Finance Corporation or made or to be made by the Secretary of the Treasury. All rights, interests, obligations, and duties of the Reconstruction Finance Corporation arising out of loans made or authorized to be made to the Administrator are, as of the close of June 30, 1947, vested in the Secretary of the Treasury; the Reconstruction Finance Corporation is authorized and directed to transfer, as of the close of June 30, 1947, to the Secretary of the Treasury and the Secretary of the Treasury is authorized and directed to receive all loans outstanding on that date, plus accrued unpaid interest, theretofore made to the Administrator under the provisions of this Act, and all notes and other evidences thereof and all obligations constituting the security therefor. The Secretary of the Treasury shall cancel notes of the Reconstruction Finance Corporation, and sums due and unpaid upon or in connection with such notes at the time of such cancellation, in an amount equal to the unpaid principal of the loans so transferred, plus accrued unpaid interest through June 30, 1947. Subsequent to June 30, 1947, the Reconstruction Finance Corporation shall make no further loans or advances to the Administrator; and the Secretary of the Treasury is hereby authorized and directed, in lieu of the Reconstruction Finance Corporation, to lend or advance to the Administrator,

in accordance with the provisions of this subsection 3 (a), any unobligated or unadvanced balances of the sums which the Reconstruction Finance Corporation has theretofore been authorized and directed to lend to the Administrator. For the purpose of making loans or advances pursuant to this section, the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such loans or advances to the Administrator. Repayments to the Secretary of the Treasury on such loans or advances shall be treated as a public-debt transaction of the United States.

(b) There are hereby authorized to be appropriated such sums as the Congress may from time to time determine to be necessary for the purposes of this Act as hereinafter provided.

(c) Fifty per centum of the annual sums herein made available or appropriated for loans for rural electrification pursuant to sections 4 and 5 of this title shall be allotted yearly by the Administrator for loans in the several States in the proportion which the number of their farms not then receiving central station electric service bears to the total number of farms of the United States not then receiving such service. The Administrator shall, within ninety days after the beginning of each fiscal year, determine for each State and for the United States the number of farms not then receiving such service.

(d) The remaining 50 per centum of such annual sums shall be available for rural electrification loans in the several States and in the Territories, without allotment as hereinabove provided, in such amounts for each State and Territory as, in the opinion of the Administrator, may be effectively employed for the purposes of this Act, and to carry out the provisions of section 7: *Provided, however,* That not more than 10 per centum of said unallotted annual sums may be employed in any one State, or in all of the Territories.

(e) If any part of the annual sums made available for the purposes of this Act shall not be loaned or obligated during the fiscal year for which such sums are made available, such unexpended or unobligated sums shall be available for loans by the Administrator in the following year or years without allotment: *Provided, however,* that not more than 10 per centum of said sums for rural electrification loans may be employed in any one State or in all of the Territories.

(f) All money representing payments of principal and interest on loans made by the Administrator shall be paid to the Secretary of the Treasury in payment of loans made to the Administrator by the

Reconstruction Finance Corporation or the Secretary of the Treasury; upon the payment of such loans all moneys representing payments of principal and interest on loans made by the Administrator shall be covered into the Treasury as miscellaneous receipts.

(May 20, 1936, ch. 432, § 3, 49 Stat. 1364, 1365; Sept. 21, 1944, ch. 412, Title V, §§ 501, 503, 504, 58 Stat. 739, 740; July 30, 1947, ch. 356, 61 Stat. 546; Oct. 28, 1949, ch. 776, § 4(a) (b) (c) and (d), 63 Stat. 948.)

SEC. 4. The Administrator is authorized and empowered, from the sums hereinbefore authorized, to make loans for rural electrification to persons, corporations, States, Territories, and subdivisions and agencies thereof, municipalities, peoples' utility districts and cooperative, nonprofit, or limited-dividend associations organized under the laws of any State or Territory of the United States, for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas who are not receiving central station service, and loans, from funds available under the provisions of sections 3(d) and 3(e) but without regard to the 10 per centum limitation therein contained, to cooperative associations and municipalities for the purpose of enabling said cooperative associations and municipalities to the extent that such indebtedness was incurred with respect to electric transmission and distribution lines or systems or portions thereof serving persons in rural areas, to discharge or refinance long-term debts owed by them to the Tennessee Valley Authority on account of loans made or credit extended under the terms of the Tennessee Valley Authority Act of 1933, as amended: *Provided*, That the Administrator, in making such loans, shall give preference to States, Territories, and subdivisions and agencies thereof, municipalities, peoples' utility districts, and cooperative, nonprofit, or limited-dividend associations, the projects of which comply with the requirements of this Act. Such loans shall be on such terms and conditions relating to the expenditure of the moneys loaned and the security therefor as the Administrator shall determine and may be made payable in whole or in part out of the income: *Provided further*, That all such loans shall be self-liquidating within a period of not to exceed thirty-five years, and shall bear interest at the rate of 2 per centum per annum; interest rates on the unmatured and unpaid balance of any loans made pursuant to this section prior to September 21, 1944, shall be adjusted to 2 per centum per annum, and the maturity date of any such loans may be readjusted to occur at a date not beyond thirty-five years from the date of such loan: *And provided further*, That no loan for the construction, operation, or enlargement of any generating plant shall be made unless the consent of the State authority having jurisdiction in the premises is first obtained. Loans under this

section and section 5 shall not be made unless the Administrator finds and certifies that in his judgment the security therefor is reasonably adequate and such loan will be repaid within the time agreed. (May 20, 1936, ch. 432, § 4, 49 Stat. 1365; Sept. 21, 1944, ch. 412, Title V, §§502(a), 503, 58 Stat. 739, 740; Dec. 23, 1944, ch. 725, 58 Stat. 925, 926; June 29, 1948, ch. 703, 62 Stat. 1070; Oct. 28, 1949, ch. 776, §4(e), 63 Stat. 948.)

SEC. 5. The Administrator is authorized and empowered, from the sums hereinbefore authorized, to make loans for the purpose of financing the wiring of the premises of persons in rural areas and the acquisition and installation of electrical and plumbing appliances and equipment. Such loans may be made to any of the borrowers of funds loaned under the provisions of section 4, or to any person, firm, or corporation supplying or installing the said wiring, appliances, or equipment. Such loans shall be for such terms, subject to such conditions, and so secured as reasonably to assure repayment thereof, and shall be at a rate of interest of 2 per centum per annum; interest rates on the unmatured and unpaid balance of any loans made pursuant to this section prior to September 21, 1944, shall be adjusted to 2 per centum per annum.

(May 20, 1936, ch. 432, §5, 49 Stat. 1365; Sept. 21, 1944, ch. 412, Title V, §502(b), 58 Stat. 739.)

SEC. 6. For the purpose of administering this Act and for the purpose of making the studies, investigations, publications, and reports herein provided for, there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as shall be necessary.

(May 20, 1936, ch. 432, §6, 49 Stat. 1365.)

SEC. 7. The Administrator is authorized and empowered to bid for and purchase at any foreclosure or other sale, or otherwise to acquire, property pledged or mortgaged to secure any loan made pursuant to this Act; to pay the purchase price and any costs and expenses incurred in connection therewith from the sums authorized in section 3 of this Act; to accept title to any property so purchased or acquired in the name of the United States of America; to operate or lease such property for such period as may be deemed necessary or advisable to protect the investment therein, but not to exceed five years after the acquisition thereof; and to sell such property so purchased or acquired, upon such terms and for such consideration as the Administrator shall determine to be reasonable.

No borrower of funds under section 4 or section 201 shall, without the approval of the Administrator, sell or dispose of its property, rights, or franchises, acquired under the provisions of this Act, until

any loan obtained from the Rural Electrification Administration, including all interest and charges, shall have been repaid.
(May 20, 1936, ch. 432, §7, 49 Stat. 1365, 1366; Oct. 28, 1949, ch. 776, §4(f), 63 Stat. 948.)

SEC. 8. The administration of loans and contracts entered into by the Rural Electrification Administration established by Executive Order Numbered 7037, dated May 11, 1935, may be vested by the President in the Administrator authorized to be appointed by this Act; and in such event the provisions of this Act shall apply to said loans and contracts to the extent that said provisions are not inconsistent therewith. The President may transfer to the Rural Electrification Administration created by this Act the jurisdiction and control of the records, property (including office equipment), and personnel used or employed in the exercise and performance of the functions of the Rural Electrification Administration established by such Executive Order.

(May 20, 1936, ch. 432, §8, 49 Stat. 1366.)

SEC. 9. This Act shall be administered entirely on a nonpartisan basis, and in the appointment of officials, the selection of employees, and in the promotion of any such officials or employees, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. If the Administrator herein provided for is found by the President of the United States to be guilty of a violation of this section, he shall be removed from office by the President, and any appointee or selection of officials or employees made by the Administrator who is found guilty of a violation of this Act shall be removed by the Administrator.

(May 20, 1936, ch. 432, §9, 49 Stat. 1366.)

SEC. 10. The Administrator shall present annually to the Congress not later than the 20th day of January in each year a full report of his activities under this Act.

(May 20, 1936, ch. 432, §10, 49 Stat. 1366.)

SEC. 11. In order to carry out the provisions of this Act the Administrator may accept and utilize such voluntary and uncompensated services of Federal, State, and local officers and employees as are available, and he may without regard to the provisions of civil-service laws applicable to officers and employees of the United States appoint and fix the compensation of attorneys, engineers, and experts, and he may, subject to the civil-service laws, appoint such other officers and employees as he may find necessary and prescribe their duties. The Administrator is authorized, from sums appropriated pursuant to section 6, to make such expenditures (including expenditures for

personal services; supplies and equipment; lawbooks and books of reference; directories and periodicals; travel expenses; rental at the seat of government and elsewhere; the purchase, operation, or maintenance of passenger-carrying vehicles; and printing and binding) as are appropriate and necessary to carry out the provisions of this Act. (May 20, 1936, ch. 432, § 11, 49 Stat. 1366.)

SEC. 12. The Administrator is authorized and empowered to extend the time of payment of interest or principal of any loans made by the Administrator pursuant to this Act: *Provided, however,* That with respect to any loan made under section 4 or section 201, the payment of interest or principal shall not be extended more than five years after such payment shall have become due, and with respect to any loan made under section 5, the payment of principal or interest shall not be extended more than two years after such payment shall have become due: *And provided further,* That the provisions of this section shall not apply to any obligations or the security therefor which may be held by the Reconstruction Finance Corporation under the provisions of section 3.

(May 20, 1936, ch. 432, § 12, 49 Stat. 1366, 1367; Oct. 28, 1949, ch. 778, § 4(f), 63 Stat. 948.)

SEC. 13. As used in this Act the term "rural area" shall be deemed to mean any area of the United States not included within the boundaries of any city, village, or borough having a population in excess of fifteen hundred inhabitants, and such term shall be deemed to include both the farm and nonfarm population thereof; the term "farm" shall be deemed to mean a farm as defined in the publications of the Bureau of the Census; the term "person" shall be deemed to mean any natural person, firm, corporation, or association; the term "Territory" shall be deemed to include any insular possession of the United States.

(May 20, 1936, ch. 432, § 13, 49 Stat. 1367.)

SEC. 14. If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act and the application of such provision to other persons or circumstances shall not be affected thereby.

(May 20, 1936, ch. 432, § 14, 49 Stat. 1367.)

SEC. 15. The Rural Electrification Administration is authorized to purchase such financial and credit reports as may be necessary to carry out its authorized work: *Provided,* That purchases under this authority shall not be made unless provision is made therefor in the applicable appropriation and the cost thereof is not in excess of limitations prescribed therein.

(Sept. 21, 1944, ch. 412, Title V, § 505, 58 Stat. 740.)

TITLE II

SEC. 201. From such sums as are from time to time made available by the Congress to the Administrator for such purpose, pursuant to section 3 of this Act, the Administrator is authorized and empowered to make loans to persons now providing or who may hereafter provide telephone service in rural areas and to cooperative, nonprofit, limited dividend, or mutual associations. Except as otherwise provided by this title, such loans shall be made under the same terms and conditions as are provided in section 4 of this Act, for the purpose of financing the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities or systems to furnish and improve telephone service in rural areas; *Provided*, however, That the Administrator, in making such loans, shall give preference to persons providing telephone service in rural areas, and to cooperative, nonprofit, limited dividend, or mutual associations: *And provided further*, That for a period of one year from and after the effective date of this title applications for loans received by the Administrator from persons who on the effective date of this title are engaged in the operation of existing telephone service in rural areas shall be considered and acted upon before action is taken upon any application received from any other person for any loan to finance the furnishing or improvement of telephone service to substantially the same subscribers. The Administrator in making such loans shall, insofar as possible, obtain assurance that the telephone service to be furnished or improved thereby will be made available to the widest practical number of rural users. When it is determined by the Administrator to be necessary in order to furnish or improve telephone service in rural areas, such loans may be made for the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities, or systems without regard to their geographical location. The Administrator is further authorized and empowered to make loans for the purpose of refinancing outstanding indebtedness of persons furnishing telephone service in rural areas: *Provided*, That such refinancing shall be determined by the Administrator to be necessary in order to furnish and improve telephone service in rural areas: *And provided further*, That such refinancing shall constitute not more than 40 per centum of any loan made under this title. Loans under this section shall not be made unless the Administrator finds and certifies that in his judgment the security therefor is reasonably adequate and such loan will be repaid within the time agreed, nor shall such loan be made in any State which now has or may hereafter have a State regulatory body having authority to regulate telephone service and to require certificates of convenience and necessity to the applicant unless such certificate from such agency is first obtained. In a State in which there is no such agency or regulatory body legally authorized to issue such certificates to the applicant, no loan shall be made under this section unless the Administrator shall determine (and set forth his reasons therefor in writing) that no duplication of lines, facilities, or systems, providing reasonably adequate services will result therefrom.

SEC. 202. Nothing contained in this Act shall be construed to deprive any State commission, board, or other agency of jurisdiction, under any State law, now or hereafter effective, to regulate telephone service which is not subject to regulation by the Federal Communications Commission, under the Communications Act of 1934, including the rates for such service.

SEC. 203. (a) As used in this title, the term "telephone service" shall be deemed to mean any communication service whereby voice communication through the use of electricity between the transmitting and receiving apparatus, is the principal intended use thereof, and shall include all telephone lines, facilities, or systems used in the rendition of such service; but shall not be deemed to mean telegraph services or facilities, or radio broadcasting services or facilities within the meaning of section 3 (o) of the Communications Act of 1934, as amended.

(b) As used in this title, the term "rural area" shall be deemed to mean any area of the United States not included within the boundaries of any incorporated or unincorporated city, village, or borough having a population in excess of one thousand five hundred inhabitants.
(Oct. 28, 1949, ch. 776, § 5, 63 Stat. 948, 949.)

RURAL TELEPHONE LOANS

STATEMENT OF CONGRESSIONAL POLICY

The rural telephone legislation enacting clause contains the following statement of Congressional policy:

...it is hereby declared to be the policy of the Congress that adequate telephone service be made generally available in rural areas through the improvement and expansion of existing telephone facilities and the construction and operation of such additional facilities as are required to assure the availability of adequate telephone service to the widest practicable number of rural users of such service. In order to effectuate this policy, the Rural Electrification Act of 1936 is amended as hereinafter provided.

(Oct. 28, 1949, ch. 776, § 1, 63 Stat. 948.)

RESTRICTIONS ON BORROWERS

Rural Electrification Act of 1938 (June 21, 1938, ch. 554, Title IV, § 401, 52 Stat. 818) Provided in part as follows:

In making loans pursuant to this title and pursuant to the Rural Electrification Act of 1936, the Administrator of the Rural Electrification Administration shall require that, to the extent practicable and the cost of which is not unreasonable, the borrower agree to use in connection with the expenditure of such funds only such unmanufactured articles, materials, and supplies, as have been mined or produced in the United States, and only such manufactured articles, materials, and supplies as have been manufactured in the United States substantially all from articles, materials, or supplies mined, produced or manufactured, as the case may be, in the United States.
